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FISCAL IMPACT STATEMENT

LS 7667

BILL NUMBER: HB 1546

NOTE PREPARED: Jan 7, 2005

BILL AMENDED:

SUBJECT: Research Grants and Loans.

FIRST AUTHOR: Rep. Espich

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: The bill indicates that money from the Twenty-First Century Research and Technology Fund may be used to provide grants and loans for research facilities. The bill authorizes the Development Finance Authority to issue \$1,000,000,000 in bonds to provide funding for the Twenty-First Century Research and Technology Fund. The bill exempts Indiana University and Purdue University from obtaining the approval of the General Assembly to issue bonds for research facilities located at the Bloomington, Indianapolis, or Lafayette campuses if the facilities will generate sufficient revenues to meet debt service.

Effective Date: Upon passage; July 1, 2005.

Explanation of State Expenditures: *State Research Grants and Loans:* The bill authorizes the Indiana Development Finance Authority (IDFA) to issue bonds without approval of any state agency, the proceeds of which are to be deposited in the Indiana 21st Century Research and Technology Fund. The bond proceeds would be used by the 21st Century Research and Technology Fund Board to make grants and loans for research and technology purposes as specified under current statute. The bill adds a provision stating that the purposes of grants and loans by the Board includes projects to construct and equip research facilities. Under the bill, the IDFA is authorized to issue bonds beginning in FY 2006 but not after the end of FY 2011. The bill limits the total amount of outstanding bonds issued by the IDFA for the 21st Century Research and Technology Fund to \$1,000 M; and limits annual issuance to \$200 M. The bill provides that the bonds are to be paid solely from money pledged or available for bond payment. The bill also specifies that the bonds are not a debt, liability, loan of the credit, or pledge of the faith and credit of the state or of any political subdivision.

The bill does not make an annual appropriation to pay the debt service on these bonds. However, it does authorize the General Assembly to make annual or biannual appropriations to the IDFA to pay the debt service on these bonds. As a result, this could potentially create a moral obligation for the state to pay debt service on bonds that are issued by the IDFA, if the revenue stream pledged to the payment of the bonds is ultimately insufficient to pay the debt service.

University Bond Issuance: The bill authorizes the Indiana University and Purdue University trustees to issue bonds without the approval of the General Assembly to construct and equip research facilities at the Bloomington, Lafayette, and Indianapolis campuses, provided research activities at these facilities will generate revenues from various sources at least equal to the annual debt service for the outstanding bonds. As a result, this provision will not require fee increases by, or increases in state funding to, the universities for purposes of financing these projects.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Development Finance Authority; Indiana 21st Century Research and Technology Fund Board; State Budget Agency; Purdue University; Indiana University.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Jim Landers, 317-232-9869.